

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 07035 01 OF 02 042039Z

72

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 EA-11 FRB-02 INR-10 NEA-10 NSAE-00 OPIC-12

LAB-06 SIL-01 DODE-00 PA-04 USIA-15 PRS-01 DRC-01

/191 W

----- 028768

P R 041930Z DEC 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 6112

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS UNN

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 7035

PASS TREASURY, FRB AND CEA

E. O. 11652: N/A

TAGS: EFIN, EEC

SUBJ: EC COUNCIL FINANCE MINISTERS' MEETING DECEMBER 3-4, 1973

REF: A) EC BRUSSELS 6921

B) EC BRUSSELS 6415

C) EC BRUSSELS A-428, NOVEMBER 26, 1973

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 07035 01 OF 02 042039Z

1. SUMMARY: AT THE EC COUNCIL (FINANCE) MEETING DECEMBER 3-4,

THE MINISTERS INDICATED GENERAL ACCEPTANCE OF THE COMMISSION'S PROPOSALS ON ECONOMIC AND MONETARY UNION (EMU) AS MODIFIED BY THE HIGH-LEVEL COORDINATION GROUP (REF A), POSTPONED FURTHER CONSIDERATION OF RESERVE POOLING, MOVED TOWARD SOME ENLARGEMENT OF THE SHORT-TERM MONETARY SUPPORT MECHANISM -- THOUGH LESS THAN WHAT THE COMMISSION HAD PROPOSED -- AND AGREED THAT A SECOND STAGE OF EMU COULD BEGIN ON JANUARY 1, 1974. THE COUNCIL (FINANCE) WILL MAKE A FINAL DECISION ON THE COMMISSION'S PROPOSALS AT ITS NEXT MEETING DECEMBER 17. THE MINISTERS ALSO ADOPTED A RATHER MILD ANTI-INFLATION RESOLUTION AFTER ELIMINATING FROM THE COMMISSION DRAFT ALL REFERENCE TO THE ENERGY SITUATION. COMMENT: OUR IMPRESSION IS THAT THE GROWING UNCERTAINTIES OF THE ENERGY SITUATION HAVE MADE THE MINISTERS INCREASINGLY RELUCTANT TO TAKE ANY MAJOR SUBSTANTIVE STEPS ON EMU OR TO COMMIT THEMSELVES TO A STRONG ANTI-INFLATION PROGRAM. END SUMMARY

2. THE FINANCE MINISTERS DISCUSSED THE FIVE EC COMMISSION PROPOSALS REFERRED TO IN REF (A) AND (C), TAKING INTO ACCOUNT THE CONCLUSIONS AND MODIFICATIONS SUGGESTED BY THE HIGH LEVEL COORDINATION GROUP AT ITS RECENT MEETINGS (REF A). THEY REACHED GENERAL AGREEMENT ON THREE OF THESE PROPOSALS RELATING TO (A) STABILITY, GROWTH AND FULL EMPLOYMENT; (B) GREATER CONVERGENCE OF MEMBER STATE ECONOMIC POLICIES AND (C) THE CREATION OF AN ECONOMIC POLICY COMMITTEE. WITH RESPECT TO THE FOURTH PROPOSAL ON THE FUNCTIONS OF THE EUROPEAN MONETARY COOPERATION FUND, THE GERMANS, DUTCH AND FRENCH ALL EXPRESSED RELUCTANCE TO AGREE TO ANY KIND OF RESERVE POOLING AT THIS TIME. THE MINISTERS FINALLY ACCEPTED A BELGIAN PROPOSAL THAT RESERVE POOLING BE RETAINED IN PRINCIPLE, THE MONETARY COMMITTEE PREPARE A NEW REPORT BY THE END OF MARCH 1974, THE COMMISSION SUBMIT NEW PROPOSALS BY THE END OF APRIL, AND THAT THE COUNCIL REACH A DECISION BY END-JUNE 1974.

3. ON SHORT-TERM MONETARY SUPPORT, THE GERMANS, SUPPORTED BY FRANCE AND THE NETHERLANDS, AGAIN EXPRESSED OPPOSITION TO ANY MAJOR INCREASE IN CREDITS AS PROPOSED BY THE COMMISSION. SCHMIDT POINTED OUT THAT SINCE THE OIL SITUATION COULD AGGRAVATE VOLATILE MOVEMENTS OF SHORT-TERM CAPITAL, STRICT CONDITIONS SHOULD BE ATTACHED TO THE USE OF THE CREDIT MECHANISM. IN THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 07035 01 OF 02 042039Z

END, THE MINISTERS APPEARED TO ACCEPT AN INCREASE IN SHORT-TERM CREDITS --THOUGH SUBSTANTIALLY LESS THAN WHAT THE COMMISSION HAD PROPOSED.

4. THE MINISTERS FINALLY AGREED THAT A REPEAT A SECOND STAGE OF EMU COULD BEGIN ON JANUARY 1, 1974. COMMENT: THE ABSENCE OF DEFINITION OF THE CONTENT OF SUCH A SECOND STAGE ROBS THEIR DECISION OF SUBSTANTIVE SIGNIFICANCE. SINCE WHATEVER

THE MINISTERS DO NOW, OR FAIL TO DO, CAN BE CALLED A SECOND
STAGE, THEIR DECISION SEEMS TO BE ESSENTIALLY A SYMPOLIC ACT.
END COMMENT

5. THE SECOND MORNING OF THE COUNCIL SESSION WAS DEVOTED TO
ANTI-INFLATION POLICY. THE COMMISSION HAD PREPARED A CONFIDENTIAL
DRAFT THAT, IN ITS PREFACE, DWELT ON THE PROBLEMS OF PRICE AND
SUPPLY RAISED BY THE ENERGY SITUATION. THE COMMISSION NOTED THAT
SHARP INCREASES IN PRICES FOR OIL PRODUCTS WOULD ENTAIL A
DETERIORATION IN THE COMMUNITY'S TRADE BALANCE WITH THIRD
COUNTRIES. THE PREFACE CONCLUDED THAT BECAUSE OF THE
EMPLOYMENT AND PRICE EFFECTS OF THE ENERGY SHORTAGE,
AND THE UNCERTAINTY ARISING THEREFROM, SHORT-TERM POLICIES
WOULD HAVE TO BE ADAPTED PROMPTLY TO ANY CHANGES IN THE
PRESENT SITUATION. THE DRAFT RESOLUTION ITSELF ALSO
PROPOSED A HARMONIZED STRUCTURE OF REFINERY PRICES FOR OIL
PRODUCTS AS WELL AS A REGULATION ORGANIZING SURVEYS OF SELLING
PRICES ACTUALLY CHARGED IN THE COMMUNITY WITH WIDE PUBLICATION
OF THE RESULTS. BOTH THESE PROPOSALS WERE DROPPED BY THE
MINISTERS.

6. THE RESULTING RESOLUTION IS CONSIDERED MILD IF NOT INNOCUOUS
BY MOST OF OUR CONTACTS IN THE COMMISSION AND THE PERMANENT
DELEGATIONS. THE RESOLUTION, WICH FORMS A PART OF THE PRESS
COMMUNIQUE (BEING POUCHED TO STATE/RPE), CONTAINS THE USUAL
EXHORTATION TO MEMBER STATES TO LIMIT EXPENDITURES, CONTROL
MONEY SUPPLY, ENCOURAGE SAVINGS, GIVE PRIOR NOTIFICATION OF
PRICE INCREASES, FREEZE RATES ON PUBLIC SERVICES DURING THE
FIRST QUARTER OF 1974, AND ADAPT THE CAP TO BE COMPATIBLE WITH
THE COMMUNITY'S GENERAL POLICY AGAINST INFLATION. THE
RESOLUTION ALSO STATES THE MEMBER STATES WILL REVIEW
QUANTITATIVE RESTRICTIONS NOW APPLIED TO IMPORTS OF CERTAIN
PRODUCTS (UNSPECIFIED) FROM NON-MEMBER STATES WITH A VIEW TO
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 07035 01 OF 02 042039Z

THEIR RELAXATION.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 EC BRU 07035 02 OF 02 042043Z

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 EA-11 FRB-02 INR-10 NEA-10 NSAE-00 OPIC-12

LAB-06 SIL-01 DODE-00 PA-04 USIA-15 PRS-01 DRC-01

/191 W

----- 028814

P R 041930Z DEC 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 6113

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS UNN

LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 7035

7. WHEN THE PROPOSED RESOLUTION WAS BEING DISCUSSED, THE DUTCH RECOMMENDED THAT IT BE REVIEWED AND REVISED TO TAKE INTO ACCOUNT THE VARIOUS CONSEQUENCES OF THE ENERGY SITUATION. THE COUNCIL THEN WENT INTO A HIGHLY RESTRICTED SESSION. WHILE WE DO NOT KNOW WHAT TRANSPIRED AT THE SESSION, THE FACT THAT THE RESOLUTION ADOPTED BY THE MINISTERS MAKES NO MENTION OF THE ENERGY SITUATION SUGGESTS THEY CONCLUDED THAT THE ISSUES POSED WERE TOO SENSITIVE POLITICALLY TO INCLUDE IN A COMPREHENSIVE ANTI-INFLATION RESOLUTION UNDER PRESENT CIRCUMSTANCES. WE HAVE SOME INDICATIONS THAT THE MINISTERS

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 07035 02 OF 02 042043Z

ALSO CONSIDERED THAT, SINCE THE ENERGY SHORTAGE MIGHT TURN OUT TO HAVE GRAVER CONSEQUENCES FOR PRODUCTION AND EMPLOYMENT THAN FOR GENERAL PRICE LEVELS, ALL PUBLIC MENTION OF OIL IN CONNECTION WITH ANTI-INFLATION POLICY SHOULD BE AVOIDED. IN ANY CASE, THE FINANCE MINISTERS ADJOURNED AFTER THE RESTRICTED SESSION, APPARENTLY LEAVING ALL FUTURE DISCUSSION OF ENERGY TO THE FOREIGN AND ECONOMIC MINISTERS.

8. COMMENT: ALTHOUGH OUR PERM REP CONTACTS BELIEVE THE COUNCIL ACCOMPLISHED AS MUCH ON EMU AS COULD HAVE BEEN EXPECTED, AT LEAST ONE KEY COMMISSION SOURCE HAS EXPRESSED SERIOUS DISAPPOINTMENT -- SAYING THAT THE MINISTERS ARE IN EFFECT EMPTYING THE COMMISSION'S PROPOSALS OF THEIR CONTENT. IT SEEMS MORE AND MORE LIKELY THAT THE COUNCIL (FINANCE), WHEN IT FINALLY REACHES A DECISION ON DECEMBER 17, WILL APPROVE ONLY THE LESS CONTROVERSIAL ASPECTS OF THE COMMISSION'S PROPOSALS AND THAT EVEN THESE WILL BE LESS BINDING THAN ORIGINALLY ENVISAGED. OUR IMPRESSION IS THAT THE LOOMING ENERGY CRISIS WEIGHED HEAVILY ON THE MINISTERS AND FURTHER REDUCED WHATEVER ENTHUSIASM THEY MAY HAVE HAD FOR REAL PROGRESS ON EMU NOW. WITH RESPECT TO INFLATION, THE RELATIVELY MILD RESOLUTION -- WITH NO MENTION OF ENERGY PROBLEMS -- SUGGESTS THAT HERE TOO THE MINISTERS FELT THERE WERE SIMPLY TOOMANY UNCERTAINTIES TO JUSTIFY A STRONG RESOLUTION.
END COMMENT.
GREENWALD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, ECONOMIC COOPERATION, MINISTERIAL MEETINGS, IMPORT QUOTAS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU07035
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731247/aaaabipv.tel
Line Count: 241
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) EC BRUSSELS 6921
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 06 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Sep-2001 by rowellE0>; APPROVED <24-Sep-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC COUNCIL FINANCE MINISTERS' MEETING DECEMBER 3-4, 1973
TAGS: EFIN, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005